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E.O. 12958: DECL: 04/08/2018

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SUBJECT: GUINEAN PRESIDENT CANCELS LIBYAN HOTEL CONTRACTS

Classified By: POL/ECON CHIEF SHANNON CAZEAU FOR REASON 1.4 B AND D

11. (U) Late on Friday, April 4, Radio Television Guinean (RTG) reported that President Lansana Conte had signed a decree cancelling Guinea's recent hotel deals with Libya. Prime Minister Lansana Kouyate is responsible for negotiating the deals, which essentially turned over three major Conakry hotels to Libyan companies, and also provided land for Libya to construct a five-star hotel near the U.S. Embassy.

12. (C) Kouyate's frequent trips to Libya and his apparently close relationship with Kaddafi have fueled widespread speculation and suspicion among the population. In recent months, several Embassy contacts from all sectors of society (including the government, civil society, and political parties) have questioned Kouyate's motives. They have also questioned whether the deals were made in order to provide some personal, private benefit to the PM. Even the unions, which have traditionally been Kouyate's staunchest supporters, repeatedly expressed concern about the deal after it was signed late last year.

13. (U) The president's decree canceling the Libyan contracts seems to be perceived as a direct strike against the PM. The press has speculated that certain members of the president's entourage, especially controversial millionaire Mamadou Syllah, may have been behind the president's decision. Syllah's name has come up because his company, Futurlec, used to operate one of the hotels in question (Kaloum Hotel), which is the only one of the three that is not actually operating today. (NOTE. The other two hotels are the Hotel Camayenne and the Novotel. END NOTE).

14. (C) Union leader Dr. Ibrahima Fofana told Pol LES on April 7 that the presidential decree essentially sends a message that Guinea does not welcome foreign investment. Poloff raised the issue with another union leader, Louis M'Bemba Soumah, on April 7 at a public event they were both attending. Soumah said that the decree undermines the PM's powers. When Poloff pointed out that the unions themselves have been questioning the deal and how it was negotiated, Soumah said "yes, that is true, but it is the principle of the matter that we object to." According to Soumah, under the power sharing agreement, the president should not be able to cancel the PM's decision. "That is why we (the unions) went directly to see Kouyate after we heard about the decree," Soumah added. Union leader Mme Serah Rabiatou Diallo told Pol LES that she had not been able to join her union colleagues on the visit because she was not feeling well.

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COMMENT  
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15. (C) Whether orchestrated by his entourage or the president himself, the move to cancel the Libyan hotel contracts is likely another play in the power struggle between the PM and the presidency. The unions seem to have coalesced in support of the PM, at least publicly, despite private concerns about the deal on the part of individual members. Rabiadou's absence, however, is telling. During several different meetings with Poloff, Rabiadou criticized the hotel deal and implied that the PM was doing it for personal gain. It is unlikely that she supports the position of fellow union leaders. To date, Embassy has not seen any reaction from the PM's office to the Friday decree. END COMMENT.  
CARTER